

CIRCULAR LETTER

Subject : Amendment to Bank Indonesia Circular Letter Number 9/4/DPM dated March 16, 2007 concerning Procedures of Government Bond Auction in the Primary Market and Government Bond Administration

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In relation with the issuance of Regulations of the Minister of Finance of the Republic of Indonesia concerning Government Bond (SUN) Auction in the Primary Market and Primary Dealer System and by the enactment of Bank Indonesia Regulation Number 10/2/PBI/2008 dated February 4, 2008, concerning Bank Indonesia - Scripless Securities Settlement System (State Gazette of the Republic of Indonesia Number 11 of 2008, Supplement to the State Gazette of the Republic of Indonesia Number 4809), it is deemed necessary to amend Bank Indonesia Circular Letter Number 9/4/DPM dated March 16, 2007, concerning Procedures of Government Bond Auction in the Primary Market and Government Bond Administration as follows.

1. Provisions in point I.8, point I.9, and point I.10 shall be amended to read as follows.
  8. SUN Auction is a selling of SUN participated by :
    - a. Auction Participants, Bank Indonesia, and/or Indonesia Deposit Insurance Corporation (LPS), for SUN Auction of Treasury Bill;  
or
    - b. Auction Participants and/or LPS, for SUN Auction of Treasury Bond,  
by Competitive Bidding and/or Non-competitive Bidding in a bidding

period ...

period which has been determined and announced in advance.

9. Competitive Bidding is a bidding by entering the volume and yield or price.
  10. Non-competitive Bidding is a bidding by entering the volume without yield or price.
2. Provisions in point II.A.1 and point II.A.2 shall be amended to read as follows.
    1. Party eligible to buy SUN in the SUN Auction in the Primary Market is individual person, or group of persons and/or properties either incorporated as a legal entity or no legal entity, or Bank Indonesia, or LPS.
    2. Any buyers other than Bank Indonesia and LPS shall bid for SUN through any Auction Participant to Bank Indonesia as the auction agent.
  3. Provision in point II.A shall be amended, between number 8 and number 9 shall be inserted with a new number, namely number 8a, that reads as follows.
    - 8a. LPS may buy SUN in the Primary Market through SUN Auction under the following requirements.
      - a. The bidding shall be made directly by LPS and not through any Primary Dealer;
      - b. The bidding is only for the Non-competitive Bidding.
  4. Provision in point II.B.3 shall be amended to read as follows.
    3. On the day of SUN Auction, Auction Participants shall bid for quantity and discount rate or yield or price in Competitive Bidding or for quantity in Non-competitive Bidding.
  5. Provision in point II.B.5 shall be amended to read as follows.
    5. In Competitive Bidding Auction Participants shall put in bids for

SUN consisting of bids for quantity and for discount rate or yield or price under the following stipulations.

- a. The bid for quantity made by each Auction Participant shall be no less than 1,000 (one thousand) units or Rp1,000,000,000.00 (one billion rupiah) and the remaining shall be in a multiple of 100 (one hundred) units or Rp100,000,000.00 (one hundred million rupiah).
- b. The bid for discount rate or yield shall be in a multiple of  $\frac{1}{32}$  (one thirty second) or 0.03125 (three thousands and one hundred and twenty five per one hundred thousands).
- c. The bid for price shall be in a multiple of 0.05% (five per ten thousands).

6. Provision in point II.C.1 shall be amended to read as follows.

1. The Minister of Finance of the Republic of Indonesia shall determine the results of SUN Auctions in the Primary Market consisting of auction winners, face value, and discount rate or yield or price.

7. Provisions in point II.D.2 and point II.D.3 shall be amended to read as follows.

2. The announcement on the SUN Auction results as referred to in number 1 shall contain at least the total quantity of auction and weighted average discount rate or yield or price.
3. Bank Indonesia shall announce the SUN Auction results to each Auction Participant through the BI-SSSS containing at least the names of winners, face value, and discount rate or yield or price.

8. Provision in point III.C.5.a.1) shall be amended to read as follows.

- 1) Primary Dealers shall pay SUN lending fees through the BI-RTGS System to the Government Account Number 500.000003 “Menteri Keuangan, c.q. Dirjen Perbendaharaan untuk Pengelolaan SUN”.

9. Provision in point III.C.5.d shall be amended to read as follows.

d. Collateral Execution Process

- 1) In the event of any failure in the repayment of SUN Lending Facility as referred to in letter b number 3), the Government may sell the collateralized SUN to any other Primary Dealer.
- 2) The sale of the collateralized SUN shall be conducted under an exchange mechanism, namely by exchanging the collateralized SUN with SUN of the same series lent by the Government.
- 3) Based on the SUN exchange transaction by the Government as referred to in number 2), Bank Indonesia on behalf of the Government and the Primary Dealer as the counterpart shall execute settlement through the BI-SSSS by FoP transfer.
- 4) In the event of any cash difference in the SUN exchange transaction as referred to in number 3), the payment shall be bilaterally settled by the Primary Dealer buying the collateral and the Primary Dealer failing to return the SUN lent by the Government.

10. Provision in point III.D.2 shall be amended to read as follows.

2. Based on the ORI allotment results decided by the Minister of Finance of the Republic of Indonesia, the settlement shall be executed on the settlement date as follows.
  - a. The Selling Agent shall pay through the BI-RTGS System into the Government Rupiah Account with Bank Indonesia number 500.000003 “Menteri Keuangan, c.q. Dirjen Perbendaharaan untuk Pengelolaan SUN” at the value of allotment results, no later than 10.00 a.m. (western Indonesia standard time).
  - b. The non-bank Selling Agent shall be required to designate a Paying Bank to conduct the payment as referred to in letter a.

c. The ...

- c. The Selling Agent shall deliver the payment receipt as referred to in point a to DPM, c.q. PTPM.
- d. After receiving the payment receipt as referred to in letter c DPM, c.q. PTPM, shall register the issuance of ORI series and credit the securities account of the Sub-Registry designated by the ORI investors.
- e. After the settlement of the ORI as referred to in letter d the Sub-Registry is required to register the SUN ownership on behalf of the individual customers in the Sub-Registry internal registration system.

Provisions in this Bank Indonesia Circular Letter shall come into force as of April 15, 2008.

For the public to be informed, it is ordered that this Bank Indonesia Circular Letter be promulgated in the Official Government Gazette of the Republic of Indonesia.

Please be informed accordingly.

BANK INDONESIA,

EDDY SULAEMAN YUSUF

DIRECTOR OF MONETARY MANAGEMENT

DPM